Marketing the Environmental Benefits of Renewable Power

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The Problem

- Making electricity is the largest industrial source of air pollution.
  - 2/3 SOx
  - 1/4 NOx
  - 2/5 CO2
  - 1/3 Mercury

The Paradox of Clean Energy

- The benefits are substantial, but making claims may require restraint and modesty.
- For example, wind and solar power produce no air pollution, but they don't reduce all forms of air pollution.
- The air-quality benefits of renewable energy are not fully recognized in clean-air regulations

Legal Guidance—Consumer Protection Statutes

- Marketing and PR are commercial speech.
  - Forget the First Amendment.
- The truth can be misleading.
  - "Materiality."
- It's not just what you say, it's what the buyer thinks you are saying.
  - What's the rule in your state, "reasonable consumer" or "gullible consumer"?
- FTC Green Guides
  - http://www.ftc.gov/bcp/grnrule/guides980427.htm
- NAAG Guidelines on renewable power
  - http://www.naag.org/issues/pdf/Green_Marketing_guidelines.pdf

Guiding Principles

- You are selling virtue—
  behave virtuously.
  - You are asking your customers to pay more to secure a social good—does your company also behave in that way?
- Transparency is necessary.
  - Information is good.
    - Types of generation.
    - Location of generation.
    - Method of calculating reductions.
    - Relevant corporate behavior.

A summary of the environmental *bona fides* of renewable energy

- Produces no air emissions.
  - Or produces reduced air emissions compared to fossil generation.
  - Or results in no "net" greenhouse gas emissions.
- Displaces other, potentially dirtier, generation.
  - May reduce pollution—more later.
- Is sustainable.
  - It is "renewable," after all.
  - May be issues with some biomass and geothermal.
- Does not require mining or drilling.
  - Geothermal is an exception.
- Requires no water for cooling.
  - Important benefit or those in the water-short West.
  - Geothermal and biomass are exceptions.

“Clean Air” Claims

- Broad claims may not be appropriate.
- Need to assess regulatory treatment of pollutants.
- Consider the magnitude of reductions—materiality.

Sterling Green™ Renewable Electricity Agway Energy Products Product Content Label

NiMo & NYSEG Service Area

Energy Resources in Sterling Green™ Renewable Energy Offering for New York[1]

Options	Option 1 100% Renewable Energy	Option 2 50% Renewable Energy	Generation Location
Price* Per Kilowatt Hour	1.5 cents for 100% of your use	1.5 cents for 50% of your use	
Sterling Green™ Renewable Energy Resources			
New Wind[2]	40%	20%	New York
Eligible Hydroelectric[3]	30%	15%	New York
Bioenergy/Plant Material[4]	30%	15%	New York
Geothermal	0%	0%	New York
Solar	0%	0%	New York
Other Energy Resources[5]			
Coal	0%	16.5%	New York
Large Hydroelectric	0%	4.5%	New York
Natural Gas	0%	13%	New York
Nuclear	0%	9%	New York
Oil	0%	6.5%	New York
Other	0%	0.5%	New York
Total	**100%**	**100%**	**New York**

1 These figures reflect the power that we have contracted to provide. Actual figures may vary according to resource availability. We will annually report to you the actual resource mix of the electricity you purchased during the preceding year.

2 New renewables are generation facilities in operation on or after January 1, 1999.

3 Eligible hydroelectric facilities are defined as facilities with output equal to or less than 30 megawatts, relicensed by FERC after 1986 or certified by the Low Impact Hydropower Institute (www.lowimpacthydro.org).

4 Our bioenergy is electricity made from recovered methane from landfills and/or clean wood waste and forest residue that would otherwise be unused. No trees are cut down for the direct purpose of fueling electricity generation.

5 The portion of your electricity purchase that is not enrolled in Sterling Green™ will come from Agway's conventional electricity resources. For comparison, Agway's current average mix of energy resources for electricity generation is natural gas, 29%; nuclear, 16%; hydroelectric, 9%; coal, 33%; oil, 13%; and other, 1%.

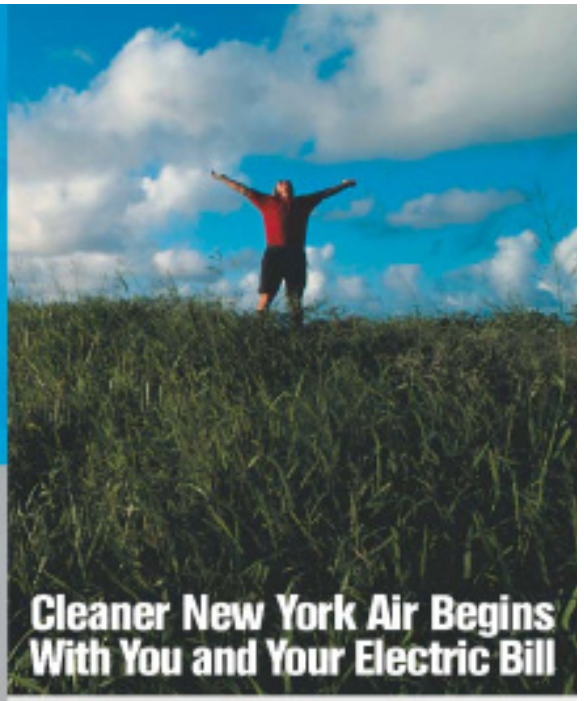
The Green-e program certifies that Sterling Green™ New York meets the minimum environmental and consumer protection standards established by the non-profit Center for Resource Solutions. For more information on Green-e certification requirements, call 1-888-63-GREEN or log on to www.green-e.org.

* This small per kWh renewable energy surcharge will be added to Agway's basic retail rate to help support cleaner, more secure, New York-based renewable energy. This surcharge is in addition to Agway's basic charge for electricity and your utility's charges for electricity related services.

Choose Sterling Green.™ Choose Cleaner Air.

Agway Energy Products and Sterling Planet have partnered to give New Yorkers like you a new cleaner electricity choice. We offer Sterling Green™ – a Green-e certified blend of renewable electricity produced in New York state using wind, water, and decaying organic matter for fuel.

Buying Sterling Green™ means you're supporting electricity produced in a way that emits far less air pollution. You're conserving natural resources like oil and other fossil fuels. You're contributing to energy diversity, independence and sustainability. And you're doing your part to stimulate new in-state electricity production.



Choose Sterling Green.™ Choose Cleaner Air.

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STERLING PLANET

www.agwayenergy.com
1.888.AGWAY24

Criteria Air Pollutants—No allowances means no reductions

- Sulfur dioxide (SOx)
  - National regulation; cap-and-trade.
  - Allowances to fossil generators only.
  - Fossil generation may back down, but allowance can be used later.
- Oxides of Nitrogen/Smog (NOx)
  - Regional regulation (29 states); cap-and-trade.
  - Limited set-asides for renewables.

Press Release—State Govt

- When fully implemented, the RPS is also expected to reduce air emissions of nitrogen oxide by 6.8 percent, sulfur dioxide by 5.9 percent, and carbon dioxide by 7.7 percent throughout the State. Along with the significant emission reductions that will improve the State's environment, the State will see a boost in economic development activity from the growth of the renewable energy industry in the State.

  NYSERDA, Feb 7, 2005

Greenhouse Gases, notably carbon dioxide (CO2)

- Today, most carbon claims are an inference, based on an assumption, relying on an estimate.
- Nonetheless, they are reasonable and can be substantiated.
- EPA Green Power Partnership
- EPA Climate Leaders
- DOE Greenhouse Gas Registry proposed rules
  - 1605(b)

...How's this for environmental impact?

Investing an additional $6.00 per month on your household electric bill for one year

=

or

"The lofty oak from a small acorn grows."
— Lewis Duncombe

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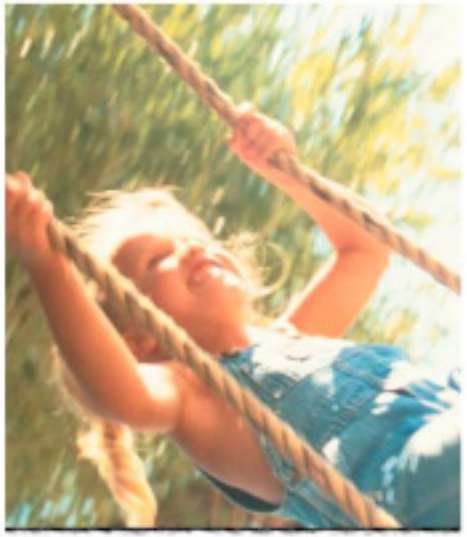

GreenPower

Santee Cooper and York Electric Cooperative, Inc. working together naturally

Greenhouse Gases

- What is the right estimate for CO2 reductions?
  - Regional average.
  - Regional average for fossil units.
  - Regional average of marginal units.
    - Be consistent.
    - Follow guidance of credible expert.
      - EPA website being developed.
- The climate problem is global, so location of renewable generation is not an issue in making claim.
  - CO2 reduction per mwh will vary by region.

Greenhouse Gases (cont'd)

- What would happen if GHG were regulated?
  - If renewables get allowances, allowance must be retired to make clean-air claim.
  - If renewables don't get allowances, develop an estimate based on the calculation used in setting the cap.

Health Claims—Risky Behavior

- Will the reductions in pollution (smog and mercury would be two examples) resulting from the operation of a renewable facility occur where your customers live?
- Are the reductions in pollution sufficient to be able to demonstrate a reduced risk to human health?
- Do you have substantiation?
  - Operation of the grid.
  - Pollution data.
  - Epidemiological studies.

Making Claims—Balancing Risks

- Weighing two business risks simultaneously:
  - Failure to attract the attention of prospects (and hold the attention of customers).
  - Attract the attention of regulators or press.